

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 H-02 L-03 NSC-05 SS-15

DOTE-00 AGR-05 /083 W

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R 052011Z NOV 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 5554

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E.O. 11652: N/A

TAGS: EINV, BDIS, CI

SUBJECT: GENERAL TIRE/INSA CASE

REF: SANTIAGO 7006 AND PREVIOUS

1. SUMMARY. DESPITE LAPSED "DEADLINES" AND DEPARTURE OF GENERAL TIRE OFFICIALS FROM CHILE, GENERAL TIRE/INSA CASE IS NO CLOSER TO RESOLUTION. NEW CORFO (GOC DEVELOPMENT COMPANY) MANAGEMENT HAS REITERATED INTEREST IN EARLIER UNDERSTANDINGS, AS HAS GENERAL TIRE. EMBASSY CONTINUING TO FOLLOW CLOSELY SITUATION, WHICH COULD REACH A FLASH POINT IF CHILE BEGINS TO RUN OUT OF RUBBER PRODUCTS, ESPECIALLY TIRES, AND BATTERIES. END SUMMARY.

2. LOCAL COUNSEL REPORTS THAT GENERAL TIRE (GT) VP PITTENGER AND INSA MANAGER SHERIDAN LEFT CHILE AS SCHEDULED EVENING OCTOBER 31, AFTER ELEVENTH HOUR MEETING WITH CORFO'S NEW EXECUTIVE VP, LUIS DANUS. SAME SOURCE SAID NOTHING WAS FINALLY RESOLVED. DANUS NOTED THAT HE STILL GETTING FEET ON GROUND IN NEW JOB. HOWEVER, HE REITERATED GOC INTEREST IN TAKING OVER GT'S SHARE IN INSA FOR ONE DOLLAR; PITTENGER SAID GT WOULD GO ALONG WITH THIS. GT DIRECTORS ON INSA BOARD HAVE TAKEN PRELIMINARY STEP TOWARD DECLARING INSA BANKRUPT IN ORDER TO PROTECT THEMSELVES FROM POSSIBLE PERSONAL

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LIABILITY; AND FINALLY, INSA WORKERS, WHO HAVE BEEN ON PAID LEAVE

AND WHOSE CONTRACTS LAPSED OCTOBER 31, HAVE BEEN INFORMED OF THE NECESSITY TO DELAY DECISION ON THEIR FUTURE.

3. COMMENT: PITTENGER SEEMS TO REGARD CRISIS AS A NECESSARY TOOL FOR KEEPING GOC ATTENTION FOCUSSED ON PLIGHT OF INSA. A SUCCESSION OF THREATENED "DEADLINES" HAS NOW PASSED, HOWEVER, WITH LITTLE APPARENT MOVEMENT OF THE CASE TOWARD RESOLUTION. AT ONE POINT DURING LAST WEEK'S NEGOTIATIONS, PITTENGER ENLISTED EMBASSY SUPPORT TO GAIN ACCESS TO MINECON DE CASTRO. ALTHOUGH GOC WAS IN MIDST OF SHAKE-UP OF CORFO, DE CASTRO NEVERTHELESS ASSURED ECON COUNSELOR THAT HE WAS AWARE OF IMPORTANCE OF SETTLING INSA CASE QUICKLY AND OF THE POTENTIAL COSTS OF NOT DOING SO. SAYS HE IS WORKING NEARLY FULLTIME ON MATTER. NEVERTHELESS, NO DECISION HAS BEEN MADE AND YET ANOTHER "DEADLINE" HAS BEEN POSTPONED.

4. AS WE HAVE SEEN IN THE PAST, HOWEVER, GOC BUREAUCRATIC ACTION OR, MORE OFTEN, LACK OF IT, IS NOT AN ACCURATE MEASURE OF SERIOUSNESS OF A PROBLEM. ALTHOUGH DISCOUNTING PITTENGER DRAMATICS, EMBASSY CONTINUES TO REGARD INSA CASE AS POTENTIALLY EXPLOSIVE SINCE CONTINUED NONRESOLUTION OF INSA PROBLEMS COULD BRING ON SERIOUS CRISIS IN TRANSPORT AND OTHER SECTORS. WE WILL CONTINUE TO FOLLOW CLOSELY.  
POPPER

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